

Message Text

LIMITED OFFICIAL USE

PAGE 01 CAIRO 11491 130944Z

13-12

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 L-03 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 OMB-01 /063 W

----- 119027

R 130902Z NOV 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 7873

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY LONDON

AMEMBASSY BEIRUT POUCH

LIMITED OFFICIAL USE CAIRO 11491

EO 11652: NA

TAGS: EFIN, EG

SUBJECT: NEW BANKING SYSTEM LEGISLATION PUBLISHED

REF: CAIRO 7378

1. UNOFFICIAL ENGLISH LANGUAGE TEXT OF LAW NO. 120 FOR 1975
CONCERNING CENTRAL BANK OF EGYPT AND BANKING SYSTEM (REFTEL)
HAS BECOME AVAILABLE. PASSED BY PEOPLES ASSEMBLY LATE JULY,
PROMULGATED MID-SEPTEMBER AND PUBLISHED IN OFFICIAL JOURNAL
SEPT. 25, LAW PROVIDES FOR MODIFIED ROLE OF CENTRAL BANK VIS-A-VIS
GOVERNMENT AND FOR PUBLIC RECTOR BANKS, SIGNIFICANTLY AMENDING
LEGAL TERMS OF REFERENCE SET FORTH IN BASIC 1957 LEGISLATION. ACT
GRANTS CENTRAL BANK MORE INDEPENDENCE FROM GOVERNMENT AND
ACCORDS COMMERCAIL, SPECIALIZED AND MERCHANT BANKS MORE LEEWAY
IN DETAIL OF THEIR LOAN ACTIVITIES, WHILE RETAINING OVERALL BANKING
POLICY SUPERVISION FOR CENTRAL BANK. UNOFFICIAL TRANSLATION OF
LAW FOLLOWS BY AIRGRAM.

2. DEPUTY GOVERNOR OF CENTRAL BANK, DR. ABDEL MONIEM EL
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CAIRO 11491 130944Z

BANNA, TOLD EMBOFF NOVEMBER 11 THAT LAW IS DESIGNED TO ALLOW

BANK, THROUGH INCREASED AUTONOMY, TO ACT AS RESTRAINT ON EXPANSION OF CREDIT BY GOVERNMENT AND RESULTANT INFLATIONARY PRESSURES. ALTHOUGH CENTRAL BANK OF EGYPT WILL NOT QUITE HAVE INDEPENDENCE OF US FEDERAL RESERVE SYSTEM IN HIS VIEW, IT WILL NOW MORE NEARLY BE ABLE TO PERFORM LONG-STANDING TRADITIONAL FUNCTION OF VIRTUALLY ALL CENTRAL BANKS AROUND THE WORLD. SECONDARY EFFECT OF LEGISLATION IS TO FREE INDIVIDUAL BANKS FROM REGULATORY TIES TO SPECIFIC AREAS OF ECONOMY FOR PUBLIC SECTOR LOAN OPERATIONS. DR. EL BANNA NOTED THAT LEGISLATION HAD BEEN ADOPTED ONLY AFTER LONG CONSIDERATION AND VIGOROUS DEBATE WITHIN GOE.

3. COMMENT: CENTRAL BANK WAS HIVED OFF NATIONAL BANK OF EGYPT 15 YEARS AGO TO PERFORM SEPARATELY IN NAME, IF NOT FULLY IN FACT, USUAL CENTRAL BANK ROLE (1957 LAW GAVE MINISTRY OF FINANCE POTENTIALLY DECISIVE VOICE AT BOARD LEVEL). NEW LEGAL REVISIONS POSSIBLE WILL RESULT IN SOMEWHAT LESS POLICY LEVERAGE IN PRACTICE THAN THAT ANTICIPATED BY BANK OFFICIALS, BUT ARTICLE 5 OF LAW INTERESTINGLY INCLUDES LANGUAGE TO EFFECT THAT BANK IS AN INDEPENDENT JURIDICAL ENTITY WHICH SHALL BE MANAGED BY BOARD OF GOVERNORS "WITHOUT BEING RESTRICTED TO ADMINISTRATIVE AND FINANCIAL SYSTEMS AND RULES PROVIDED FOR IN LAW AND REGULATIONS APPLICABLE TO THE GOVERNMENT." A BOARD MEMBER IS APPOINTED FOR FOUR-YEAR TERM AND "MAY NOT BE RELIEVED OF HIS DUTIES DURING THE PERIOD OF HIS APPOINTMENT" (ARTICLE 6). ARTICLE 21 STATES THAT CREDIT AND BANKING OPERATION DECISIONS MADE BY BOARD OF CENTRAL BANK "SHALL BE ENFORCED WITHOUT HAVING TO BE APPROVED BY A HIGHER AUTHORITY." NO RPT NO SUCH PROVISIONS WERE INCLUDED IN EARLIER LEGISLATION. AS TO BANKING SYSTEM, BEGINNING EARLY 1960'S NATIONALIZED BANKS WERE ASSIGNED CREDIT RESPONSIBILITY FOR SPECIFIC SECTORS OF ECONOMY. WITH 1975 LAW, PUBLIC SECTOR BANK LENDING EVIDENTLY WILL NOT BE CHanneled ARBITRARILY INTO GIVEN SECTORS, BUT WILL BE SUBJECT ONLY TO INDIVIDUAL BANK BOARD DECISIONS, CENTRAL BANK POLICY GUIDANCE AND REQUIREMENTS OF NATIONAL ECONOMIC DEVELOPMENT PRIORITIES. EILTS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, ECONOMIC PROGRAMS, BANK LAW
Control Number: n/a
Copy: SINGLE
Draft Date: 13 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO11491
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750395-0334
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751147/aaaabpwz.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 CAIRO 7378
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 02 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JUL 2003 by ShawDG>; APPROVED <18 NOV 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW BANKING SYSTEM LEGISLATION PUBLISHED
TAGS: EFIN, EINV, EG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006